PD-ABG-175

Regional Inspector General for Audit
Singapore

AUDIT OF USAID/BANGLADESH'S GRANT TO HELEN KELLER INTERNATIONAL BANGLADESH

Audit Report No. 5-388-93-12-N
June 30, 1993

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 30, 1993

TO: Frank J. Young, Acting Mission Director
USAID/Bangladesh

FROM: Alfred M. Clavelli, Acting RIG/A/Singapore

SUBJECT: Audit of USAID/Bangladesh's Grant to Helen Keller International
Report No. 5-388-93-12-N

The accounting firm of Coopers and Lybrand, Singapore performed a financial audit of USAID/Bangladesh's Grant No. 388-0083-G-SS-9127 to Helen Keller International. Five copies of the audit report are enclosed for your action.

In September 1989, USAID/Bangladesh provided a grant to Helen Keller International under the Child/Health Nutritional Surveillance for Disaster Preparedness and Blindness Prevention Project. The goal of this project was to minimize the incidence of nutritional blindness, protein-energy malnutrition, morbidity and mortality among Bangladeshi children by establishing Bangladesh's institutional capacity to produce, analyze, and use child/health nutritional data. Activities under this project include establishing baseline indicators and an on-going database to monitor disaster-affected persons; identifying high-risk groups of children and geographic pockets suffering from under-nutrition; and training Government of Bangladesh officials to use surveillance information. The period covered by the audit was January 1, 1991 through June 30, 1992 during which Helen Keller International reported that its Bangladesh-incurred costs amounted to $692,384.

The audit objectives were to: (1) determine whether Helen Keller International's Fund Accountability Statement presents fairly the receipts and expenditures under the above grant and whether the expenditures were allocable, allowable, and reasonable; (2) report on Helen Keller International's system of internal controls; and (3) report on Helen Keller International's compliance with applicable laws, regulations, and terms of the grant.

The auditors reported that: (1) Helen Keller International's Fund Accountability Statement presents fairly the receipts and expenditures under the grant, except for $90,863 in questioned costs; (2) no material internal control weaknesses were noted; and (3) except for certain areas of non-compliance which resulted in the above questioned costs, Helen Keller International complied, in all material respects, with applicable laws, regulations, and terms of the grant. The above questioned costs mainly relate to the incorrect overhead rate being used ($43,533); not obtaining approvals when the common field office cost allocation proportion was changed ($23,353); and not obtaining prior approval for international travel ($14,936). Since the largest item among the questioned cost relate to the use of an incorrect rate for U.S. overheads ($43,533), no exception was taken to the internal controls relating to this particular grant.

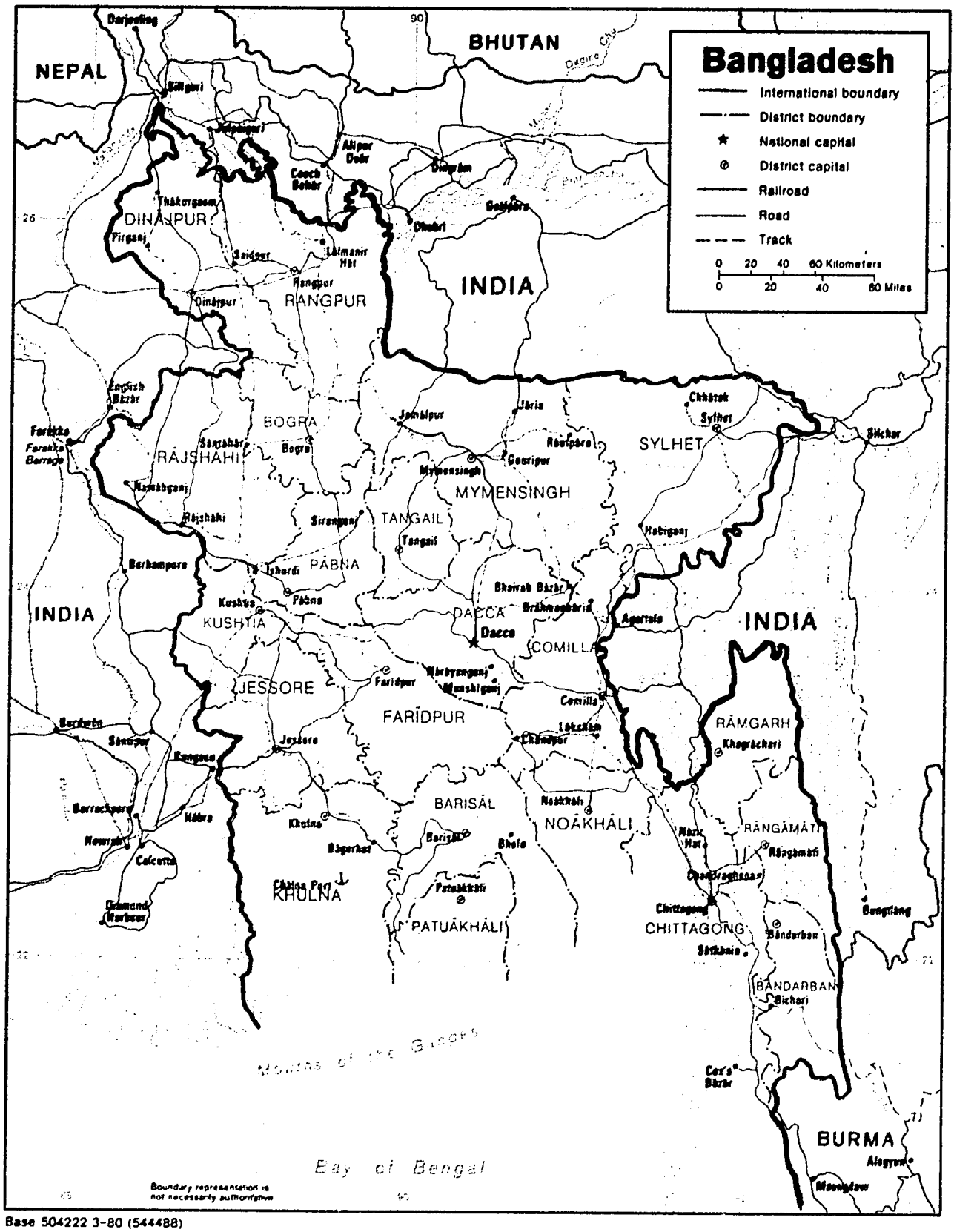
The management of Helen Keller International generally agreed with the findings and recommendations contained in the report. Helen Keller International's comments are provided under each finding in the report and the full text of the comments are included as Appendix B of this report.

This report contains seven findings and recommendations which USAID/Bangladesh should ensure that necessary action is taken. We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

> **Recommendation No. 1: We recommend that USAID/Bangladesh resolve the $90,863 in questioned costs ($85,693 ineligible and $5,170 unsupported) with Helen Keller International and recover any amounts determined to be unallowable.**
>
> **Recommendation No. 2: We recommend that USAID/Bangladesh: (a) review common costs incurred by Helen Keller International's office in Bangladesh, (b) determine an acceptable rate to be used for allocating these common expenses, and (c) recover any unallocable expenses from the grantee.**

We appreciate the courtesies and cooperation USAID/Bangladesh and Helen Keller International extended to the auditors and our staff during the course of this audit. Please advise me within 30 days of any actions planned or taken to close the above recommendations.

Attachment: a/s



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AUDIT OF

HELEN KELLER INTERNATIONAL

GRANT (NO: 388-0083-G-SS-9127-03)

FROM THE UNITED STATES AGENCY

FOR INTERNATIONAL DEVELOPMENT

UNDER THE DISASTER PREPAREDNESS PROJECT

(PROJECT NO. 388-0083)

PERTAINING TO BANGLADESH - INCURRED EXPENSES

****

FOR THE PERIOD JANUARY 1, 1991 TO JUNE 30, 1992

Performed and Prepared

by

Coopers & Lybrand
Singapore

&

A. Qasem & Co
Bangladesh

AUDIT OF
HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT

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Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
#17-03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

29 June, 1993

Dear Mr Durnil

AUDIT OF
HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

This report presents the results of our audit of Helen Keller International's (HKI) Grant No. 388-0083-G-SS-9127-03 from the United States Agency for International Development, Bangladesh (USAID/B) under its Disaster Preparedness Project No.388-0083 (DPP). Our audit, of the Fund Accountability Statement of HKI under the grant covered the period from January 1, 1991 through June 30, 1992 and pertains only to Bangladesh incurred expenses.

Background - Bangladesh

Bangladesh, a relatively less developed country bounded on three sides by India, covers an area of only 55,598 square miles but has an estimated population of approximately 110,000,000. It is the third most populous country of the South Asia Region, with about 85% of the population living in rural areas. The country is predominantly flat, and is laced by numerous rivers and the tributaries of the Himalayan drainage system. During the seven month monsoon season, these rivers overflow in lowland areas, seriously limiting agricultural output. Furthermore, the country is afflicted by both frequent flooding and droughts and, in coastal areas, by cyclones and tidal waves. The frequent floods, droughts, cyclones, etc. which afflict Bangladesh invariably cause a deterioration in the already poor health status of its people, particularly women and children, through exposure to contaminated water, crowding and poor sanitary conditions, and, above all, through decreased access to food due to crop and employment losses.

C&L

directors
D Michael Fleming
Andrew Jackanas
John Ross

Mr James B Durnil
Regional Inspector General
for Audit, Singapore,
United States Agency for International Development
Singapore

Background - Bangladesh

The nutritional status of young children is one of the most sensitive indicators of sudden changes in food supply and health conditions. It is also a forerunner of changes in child mortality. The monitoring of nutritional and related indictors among young children in disaster-prone communities is thus a vital tool in disaster preparedness and relief.

HKI and the Disaster Preparedness Project

HKI registered with AID Washington as an International Private Voluntary Organization (PVO), has been working in Bangladesh since 1978. HKI has a long-standing relationship with the Government of Bangladesh as well as a long history with AID. HKI has developed a program to minimize the incidence of nutritional blindness, protein-energy malnutrition, morbidity and mortality among Bangladesh children by establishing the institutional capacity to produce, analysize and use child health/nutrition data. USAID/B has been assisting HKI through a Grant Agreement No.388-0083-G-SS-9127-03 towards its above program under the USAID Project 388-0083, the Health/Nutritional Surveillance for Disaster Preparedness Project. The effective date of the Grant is September 29, 1989 and is due to end on September 28, 1994.

The purpose of the grant is to provide funds to establish a surveillance system which produces, analyses and promotes the use of child health and nutrition data for disaster prepardeness and relief.

Audit Objectives and Scope of Work

We have conducted a financial audit of HKI's Fund Accountability Statement as it relates to Bangladesh incurred expenses under its grant from USAID/B for the period January 1, 1991 to June 30, 1992.

The Fund Accountability Statement comprises the Receipts and Payments Statement for the period January 1, 1991 to June 30, 1992 and the notes thereon. The results of our work are reflected in the accompanying Independent Auditors' Reports on the:

a) Fund Accountability Statement;
b) System of Internal Controls; and
c) Compliance with Agreement Terms, Applicable Laws and Regulations.

Audit Objectives and Scope of Work (cont'd)

The objectives of our work were to:

a) Determine whether HKI's Fund Accountability Statement presents fairly its costs incurred (excluding home office support costs) and fees covering the period January 1, 1991 to June 30, 1992 in accordance with generally accepted accounting practice and the terms of the grant agreement;

b) Report on HKI's internal controls; and

c) Report on HKI's compliance with applicable laws, regulations, the terms of the grant, binding policies and procedures.

Our audit was conducted in accordance with generally accepted auditing standards and United States Government Auditing Standards and, accordingly, included such tests as we considered appropriate in order to satisfy our objectives.

The scope of our work included the following general procedures:

a) Holding meetings with USAID/B, HKI and USAID Regional Inspector General for Audit/Singapore (RIG/A/S) officials;

b) Reviewing the grant agreement and appropriate amendments, AID handbook 13, prior period audit reports issued by external consultants, correspondence and minutes of meetings between USAID/B and HKI, as well as project progress reports maintained by both the grant recipient and USAID/B;

c) Obtaining an understanding of the accounting, administrative and internal control systems of HKI using interviews, flowcharts, and narrative descriptions;

d) Devising and performing appropriate tests on the transactions recorded in the Fund Accountability Statement;

The scope of our work included the following general procedures: (cont'd)

e) Designing appropriate audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the results of our audit. We were also aware of the possibility of illegal acts that could have an indirect and material effect on the results of our audit; and

f) Testing the effectiveness of administrative controls applied by HKI to ensure compliance with applicable laws, regulations, the terms of the grant, binding policies and procedures.

Audit Results

a) Opinion on the Fund Accountability Statement

Expenditure totalling Taka 3,497,082 ($90,863) has been questioned on the grounds that it may not be reasonable, allocable or allowable under the grant (refer Appendix A.1). Except for the effects of any adjustments which might arise pertaining to these questioned costs, in our opinion, the Fund Accountability Statement presents fairly, in all material respects, the receipts and payments of HKI for the period January 1, 1991 to June 30, 1992 as they pertain to Bangladesh incurred expenses under the grant No 388-0083-G-SS-9127-03 with USAID/B in conformity with the basis of accounting set out in note 1(b) to the Fund Accountability Statement.

b) System of Internal Controls

In planning and performing our audit of HKI, we considered its internal control structure and the controls and procedures in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure of HKI as a whole.

For all significant internal control structure categories examined, we obtained an understanding of the designed of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk.

b) System of Internal Controls (cont'd)

We noted no matters involving the internal control structure and its operation that we considered to be reportable conditions. We did, however, note certain minor matters which we have reported to the management in a separate management letter.

c) Compliance with Agreement Terms, Applicable Laws and Regulations

Our tests for compliance with agreement terms, applicable laws and regulations of selected transactions and records of HKI indicated material instances of non-compliance with laws, regulations, the grant, and binding policies and procedures. These caused us to conclude that the aggregation of questioned costs arising from those violations is material to the financial statements, and our report on the Fund Accountability Statement has been appropriately qualified. The Fund Accountability Statement has not been adjusted for the financial effects of these matters, which are summarised under questioned costs in Appendix A.1.

With respect to transactions and records not tested by us nothing came to our attention that caused us to believe that HKI had not complied in all material respects with agreement terms, applicable laws and regulations.

In the course of our work, other than as documented in finding 3 on pages 22 and 23 to our report on compliance with agreement terms, applicable law and regulations, no significant or material findings and recommendations from previous audits, that affect the current audit objectives, were noted.

Comments on Findings and Recommendations

The management of HKI has principally agreed to our findings and recommendations on non-compliance set out on pages 19 to 32, respectively and their comments have been incorporated in full therein.

REPORT ON THE

FUND ACCOUNTABILITY STATEMENT

Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
Singapore

Acknowledgements

We would like to take this opportunity to express our gratitude for the assistance given to us by the RIG/A/S office, USAID/B and the management and staff of HKI during the course of our audit.

Yours truly

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our reference A5/PJW/HKI

Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
17 - 03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

18 April, 1993

Dear Mr Durnil

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE FUND ACCOUNTABILITY STATEMENT

We have audited the Fund Accountability Statement ("the Statement") of Helen Keller International (HKI) pertaining to Bangladesh incurred expenses under its grant No. 388-0083-G-SS-9127-03 from the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

This Statement, comprising the Receipts and Payments Statement and the notes thereon, as set out on pages 9 and 10 is the responsibility of HKI's management. Our responsibility is to express an opinion on this Statement based on our audit. The Statement presents only the transactions of HKI's operations as they pertain to Bangladesh incurred expenses and is not intended to present fairly the receipts and expenditure of HKI as a whole.

C&L

Ernest T P Snow
Jimmy K H Seet
Lawrence K S Seet
Betty Khoo
Chey Chor Wai
Ou Chee Kar

directors
D Michael Fleming
Andrew Jackson
Joyce Tan
John Ross

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE FUND ACCOUNTABILITY STATEMENT

We conducted our audit in accordance with generally accepted US government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also incudes assessing the accounting principles used, and significant estimates made, by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1(b) to the Statement, the Statement is prepared on a cash receipts and disbursement basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

Expenditure totalling Taka 3,497,082 ($90,863) has been questioned on the grounds that it may not be reasonable, allocable or allowable under the grant (refer to Appendix A.1). Except for the effects of any adjustments which might arise pertaining to these questioned costs, in our opinion, the Fund Accountability Statement presents fairly, in all material respects, the receipts and payments of HKI for the period January 1, 1991 to June 30, 1992 in conformity with the basis of accounting described in note 1(b) to the Fund Accountability Statement.

This report is intended solely for the use of the Agency for International Development and HKI and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

Coopers & Lybrand

COOPERS & LYBRAND
Certified Public Accountants

HELEN KELLER INTERNATIONAL

BANGLADESH

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HEALTH/NUTRITION SURVEILLANCE FOR BLINDNESS PREVENTION AND DISASTER PREPAREDNESS

FUND ACCOUNTABILITY STATEMENT
(January 1, 1991 to June 30, 1992)

USAID Grant No. 388-0083-G-SS-9127

Receipts :		
Amount of Grant received		US $
USAID/Bangladesh		293,133.94
HKI/New York		392,116.15
Other receipts		889.69
	Total receipts US $	686,139.78
Expenditure :		
Personnel	218,009.18	
Equipments	81,878.31	
Project Assessment/Evaluation	26,367.54	
Travel/Transportation	37,424.36	
Sub-grants (NGOs)	102,697.31	
Publication/Workshops	51,912.71	
Other direct costs	116,435.68	
Overhead	57,658.80	692,383.91
Excess(shortfall) of Receipts over expenditure		US $ (6,244.13)

(M A Mannan)
Asst Country Director(F&A)

Dr Martin W Bloem MD PhD
Country Director

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)

Notes to the Fund Accountability Statement - June 30, 1992

1 Significant Accounting Policies

(a) The Fund Accountability Statement, expressed in Bangladeshi Takas, is prepared in accordance with the historical cost convention. Bangladeshi Taka amounts have been converted to their US dollar equivalent at the average rate of exchange prevailing during the statement period.

(b) Receipts and payments relate to amounts received and paid respectively in cash. The closing balance represents the excess of Bangladesh incurred expenditure over receipts for the period January 1, 1991 to June 30, 1992.

2 Component unit of HKI

The Fund Accountability Statement presents only the transactions of HKI as they pertain to Bangladesh incurred expenses under the grant. It is not intended to present fairly the receipts and payments of HKI as a whole.

REPORT ON THE SYSTEM OF

INTERNAL CONTROLS

10w

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Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
17 - 03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

18 April, 1993

Dear Mr Durnil

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS

We have audited the Fund Accountability Statement ("the Statement") of Helen Keller International (HKI) pertaining to Bangladesh incurred expenses under its grant No. 388-0083-G-SS-9127-03 from the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

This Statement, comprising the Receipts and Payments Statement for the Grant and the notes thereon, as set out on pages 9 and 10 is the responsibility of HKI's management. Our responsibility is to express an opinion on this statement based on our audit. The Statement presents only the transactions of HKI's Bangladesh incurred expenses under the grant, and is not intended to present fairly the receipts and expenditure of HKI as a whole. We have issued our audit report thereon dated 18 April, 1993.

resident partner
Tan Soon Jong
Nancy Cheng Chen
Reggie M Thom
David G Campbell
Jonathan H E Ong
Philip E S Ng
Khoo Poar Jong
Michael Gray
Chua Kim Hiap
Chua Soo Seng
Chan Kok Sun
Ernest J P Sim
Betty Khoo
Jimmy K H Sim
Chew Chor Wa
Chan Kok S Sim
Ong Chee Kai
Edward Sim
Sim Kok Seng
Chan Sun Tat
directors
D Michael Fleming
Andrew Jackman
Joyce Tan
David K H Sin
John Ross

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS

We conducted our audit in accordance with generally accepted US government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

In planning and performing our audit of HKI, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure of HKI as a whole.

The management of HKI is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
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UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories :

Accounting Controls:

- Cash receipts
- Cash disbursements
- Payroll

Administrative controls:

- Cost allocation and allowability
- Monitoring
- Reporting

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they are effective in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

HELEN KELLER INTERNATIONAL
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INDEPENDENT AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROLS

However, we noted certain minor matters involving the internal control structure and its operation that we reported to the management of HKI in a separate letter dated 18 April, 1993.

This report is intended solely for the use of the Agency for International Development and HKI and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is a matter of public record.

Coopers & Lybrand

COOPERS & LYBRAND
Certified Public Accountants

REPORT ON COMPLIANCE WITH

AGREEMENT TERMS, APPLICABLE

LAWS AND REGULATIONS

14a

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Mr James B Durnil
Regional Inspector General
for Audit, Singapore
United States Agency for International Development
17 - 03 Peninsula Plaza
111 North Bridge Road
Singapore 0617

18 April, 1993

Dear Mr Durnil

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
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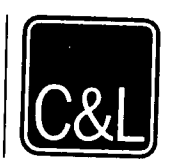
UNDER THE DISASTER PREPAREDNESS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

We have audited the Fund Accountability Statement ("the Statement") of Helen Keller International (HKI) pertaining to Bangladesh incurred expenses under its grant No. 388-0083-G-SS-9127-03 from the United States Agency for International Development, Bangladesh (USAID/B). The period covered by our audit was January 1, 1991 to June 30, 1992.

The Statement, comprising the Receipts and Payments Statement for the Grant and the notes thereon, as set out on pages 9 and 10 is the responsibility of HKI's management. Our responsibility is to express an opinion on this statement based on our audit. The Statement presents only the transactions of HKI's Bangladesh incurred expenses under the grant, and is not intended to present fairly the receipts and expenditure of HKI as a whole. We have issued our audit report thereon dated 18 April, 1993.



Ernest T P Siew
Betty Khoo
Chey Chor Wai
Ooi Chee Kar
directors
D Michael Fleming
Andrew Jackman
Joyce Tan
John Ross

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM THE UNITED STATES AGENCY FOR
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(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

We conducted our audit in accordance with generally accepted US government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to HKI is the responsibility of HKI's management. As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of HKI's compliance with certain provisions of law, regulations, the grant, binding policies and procedures. However, our objective was not to provide an opinion on compliance with such provisions.

Material instances of non-compliance are violations of laws, regulations, contracts, grants or binding policies and procedures that cause us to conclude that the aggregation of misstatements resulting from those violations is material to the financial statements. The results of our tests of compliance disclosed material instances of noncompliance the financial effects of which are summarised under questioned costs in Appendix A.1. The effects of these matters, have not been adjusted for in the Fund Accountability Statement.

We considered these material instances of non-compliance in forming our opinion on whether HKI's Fund Accountability Statement is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and our report dated 18 April, 1993 on that Statement has been appropriately qualified.

Our testing of transactions, and records, disclosed instances of noncompliance with those laws and regulations. All instances of non-compliance that we found are identified in the accompanying schedules of findings and questioned costs on pages 19 to 32.

HELEN KELLER INTERNATIONAL
GRANT (NO: 388-0083-G-SS-9127-03)
FROM USAID /BANGLADESH
UNDER THE HELEN KELLER INTERNATIONAL
DISASTER PREPARATIONS PROJECT
(PROJECT NO. 388-0083)
PERTAINING TO BANGLADESH - INCURRED EXPENSES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS

Except as described above the results of our tests of compliance indicate that with respect to the items tested HKI complied, in all material respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that HKI had not complied, in all material respects, with those provisions.

This report is intended solely for the use of the Agency for International Development and HKI and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the USAID Regional Inspector General for Audit, Singapore, is matter of public record.

Coopers & Lybrand

COOPERS & LYBRAND
Certified Public Accountants

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

SUMMARY OF AUDIT FINDINGS ON NON-COMPLIANCE ISSUES

1 International air travel without prior AID approval

2 Adequate supporting documents not attached with vouchers

3 Allocation of common expenses to other projects not made

4 Rent paid for a period beyond currency of the grant

5 Excess overheads claimed

6 Non-compliance with statutory requirement

7 Other questioned costs

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

---

1 INTERNATIONAL AIR TRAVEL WITHOUT PRIOR AID APPROVAL

CONDITION

Prior approval from USAID/B in respect of international air travel by the officers of HKI/B was not obtained. The total cost of air tickets involved in respect of this non-compliance is TK578,034 ($14,936).

CRITERIA

Optional Standard Provision entitled 'Air travel & transportation' of AID Handbook 13, which forms part of the Grant Agreement, requires the grantee to present to the project officer for written approval an itinerary for each planned international trip financed by this grant which shows the name of the traveller, purpose of the trip, origin/destination, and dates of travel, at least three weeks before the travel is planned to commence.

CAUSE

HKI/B management was unaware of the need to obtain prior written approval, and submit an itinerary for each international trip.

EFFECT

The non-submission of the required itineraries may hinder an appropriate evaluation of the progress of the Disaster Preparedness Project financed under the Grant Agreement and whether AID procedures for international travel were generally being followed. Moreover, this non-compliance resulted in questioned costs amounting to TK 578,034 ($14,936). Refer Appendix A.2.

RECOMMENDATION

HKI/B should ensure compliance with the provisions of AID Handbook 13 applying to the Grant Agreement. Furthermore, the expenditure questioned should be reviewed and resolved through consultation with USAID/B.

MANAGEMENT'S COMMENTS

USAID has accorded post factor approval on this vide their letter No. 0691 dated May 19, 1993.

2 ADEQUATE SUPPORTING DOCUMENTS NOT ATTACHED WITH VOUCHERS

CONDITION

In respect of international travel we noted that HKI/B had not maintained source documentation in support of per diem allowances claimed for certain overseas board & lodging.

CRITERIA

Mandatory Standard Provision 2(a) of AID Handbook 13, which forms part of the grant agreement, requires the grantee to maintain books, records, documents and other necessary evidence to sufficiently substantiate charges to the grant. Moreover, OMB circular A122, which applied to this grant, requires that all travel charges should be supported by adequate and complete documentation.

CAUSE

The expenses were incurred during the emergency evacuation of foreign aid workers from Bangladesh in 1991.

Upon return to their office, the management of HKI/B had overlooked the need to forward to USAID/B details of the expenses incurred during the evacuation period.

EFFECT

Sufficient and appropriate documentation has not been maintained to adequately support the expenses claimed. As a result, we are unable to determine the reasonableness, allocability and allowability of the expenses claimed, totalling TK 200,108 ($5,170). Refer Appendix A.3.

RECOMMENDATION

HKI/B should resolve the questioned costs noted in Appendix A.3 with USAID/B, and repay the amount determined to be unallowable.

2 ADEQUATE SUPPORTING DOCUMENTS NOT ATTACHED WITH VOUCHERS (CONT'D)

MANAGEMENT'S COMMENTS

Adequate supporting documents are attached and shown to M/s Qasem & Co, except on evacuation trips, where HKI personnel could spend up to 50% of the USAID allowed perdiem for wherever they stayed without receipts.

On the question of perdiem for Mr Menno Mulder, please note that the amount was given as an advance for his travel. This was never adjusted as he was terminated. His final settlement is yet to be done by him with HKI/NY.

AUDITOR'S COMMENTS

The costs which we have questioned do indeed pertain to the evacuation trips and to Mr Mulder's perdiem. However, appropriate supporting documentation has never been made available to us in regard to these expenses and, in the absense thereof, we are therefore not able to determine the reasonableness, allowability and allocability of these expenses.

3 ALLOCATION OF COMMON EXPENSES TO OTHER PROJECTS NOT MADE

CONDITION

HKI/B conducts multiple activities, some of which do not relate to the activities funded by the USAID grant, but are supported by other donor agencies such as NORAD and the World Health Organization (WHO). During 1990, USAID advised that an 80/20 split of common costs should be made between USAID funded projects and those projects funded by other donor agencies. USAID's instructions were made following a recommendation contained in the "Report on Financial Review of HKI/B " performed by Sadequr Rahim & Co., a local firm of Accountants, dated July 1990. The report suggested that those items of costs which could not be readily identified with a particular cost objective should be allocated taking into account the benefits received by the awards. However, for the period subject to our audit, we noted certain common expenses which had been charged 100% to the grant. The nature of the costs incurred indicates that other cost objectives/projects were likely to have benefited also from the expenditure (refer to details in Appendix A.4).

CRITERIA

OMB Circular A122 applying to this grant states that a cost is allowable to a particular cost objective such as a grant in accordance with the related benefits received. The circular further clarifies that where an organisation has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect cost may require the accumulation of such costs into separate cost groupings (i.e. an apportionment of the total of such costs).

CAUSE

HKI/B had not made the allocation because they believed that the comparative level of project activity between USAID funded and other projects had changed since USAID issued their previous common expenses allocation instructions in 1990.

3 ALLOCATION OF COMMON EXPENSES TO OTHER PROJECTS NOT MADE (cont'd)

EFFECT

HKI/B has claimed costs totalling TK 4,518,708 ($116,762) of which 20% has been questioned on the basis of allocability, by reference to the allocation instructions previously issued by USAID. (Refer to Appendix A.4).

RECOMMENDATION

It is recommended that both HKI/B and USAID review such expenses and determine an appropriate basis of allocation between donor projects. Further, that HKI should repay any amount determined to be unallocable.

MANAGEMENT'S COMMENTS

Please note that $20,042 was charged to other projects on similar line items during the period under audit. The recommendation of M/s Sadequr Rahim was followed but not exactly 20%. It was difficult for us to go by percentage to percentage. We did this to the best of our judgement. If we recall the fact that at the start, NSP project was much benefited by other projects vehicles/ equipment. Moreover donors like NORAD & WHO gave us much smaller grants compared to NSP. That is why we tried to charge other projects by nearly /approximately 20%.

Certain items like the ISD telephone is never used for any purpose concerning UVAC/NORAD and therefore, we cannot charge that project.

AUDITOR'S COMMENTS

Management's comments regarding charges to other projects have been noted. However, we have not seen any evidence of the application of an allocation basis to those costs incurred questioned by us. Consequently, our recommendation remains as stated above.

---

4 RENT PAID FOR A PERIOD BEYOND CURRENCY OF THE GRANT

CONDITION

HKI/B entered into a rental agreement in respect of office premises for a five year period commencing September 1991. The agreement provides for TK 233,763 to be paid as advance rent over the five year period, which terminates in September 1996. However, the Grant Agreement (after amendments) is effective only until September 1994.

CRITERIA

OMB Circular A122 states that a cost is allowable to a particular cost objective such as a grant in accordance with the related benefit received. As the benefit extends beyond the currency of the Grant period, a portion of the rental advance is unallowable.

CAUSE

At the time the rental agreement was signed HKI inadvertently agreed to pay advance for a five year period without realising that the term of the grant was due to expire before the end of the five year period.

EFFECT

HKI/B may have used U.S. Government funds to finance activities beyond the time of the Grant. This has resulted in an excess reimbursement of TK 233,763 / 5 x 2 = TK 93,505 ($2,916) made by USAID.

RECOMMENDATION

HKI/B should resc' ,e this issue with USAID and if considered appropriate, the excess amount should be reimbursed.

MANAGEMENT'S COMMENTS

We agree with this point and necessary accounting treatment shall be done to reimburse the Nutritional Surveillance for Disaster Preparedness Project (NSP), otherwise referred to as the Disaster Preparedness Project (DPP), with the cost paid for the period beyond the life time of the project if no further extension is made by USAID.

5 EXCESS OVERHEADS CLAIMED

CONDITION

HKI/B has claimed excess overheads until May 1991 (i.e. the period up to which cost reimbursement was being made directly by USAID/B to HKI/B) by claiming 22.6% instead of 21.6% of total direct cost. Moreover, for the purpose of calculating such overheads, it has not excluded from total direct costs amounts in respect of major subgrants, capital expenditure and unallowable expenses recommended for recovery by a previous financial review conducted by USAID.

CRITERIA

The amended provisional indirect cost rate applying to the period under review is 21.6% of total direct cost as indicated by RIG/A/W vide letter no. 91-88 dated September 12, 1991. Furthermore, OMB circular A122 requires the exclusion of capital expenditures and other distorting items such as major subcontracts or subgrants from the distribution base.

CAUSE

HKI/B was under the impression that the recovery rate was 22.6%. Moreover, it was not aware of the requirements of OMB circular A122 relating to the exclusion of capital items from the distribution base.

EFFECT

HKI/B has claimed excess overheads to the extent of Taka 1,684,710 ($43,533).

RECOMMENDATION

HKI/B should resolve the matter with USAID, and repay any amount determined to the unallowable.

MANAGEMENT'S COMMENTS

Overhead is earned by HKI/NY and therefore, we shall pass your comments to them for information and necessary action.

---

6 NON-COMPLIANCE WITH STATUTORY REQUIREMENT

CONDITION

HKI/B has not withheld tax from payments on account of house/office rent as required by the Income Tax Ordinance 1984.

CRITERIA

Section 53A of the Income Tax Ordinance 1984 requires the tenant to deduct tax from payments on account of rent and to pay over such withholdings to the Bangladesh Government.

CAUSE

HKI/B relied on the tax exemption certificates provided by the landlords pertaining to earlier periods and did not follow up to ensure that the current status had not changed.

EFFECT

Due to this non compliance HKI/B may be liable to penal interest imposed in accordance with the terms and conditions of the Ordinance.

RECOMMENDATION

HKI/B should ensure compliance with the applicable provisions of the Income Tax Ordinance pertaining to the withholding of tax from payments on account of house/office rent.

MANAGEMENT'S COMMENTS

We started deducting this soon after the circular was issued. The landlords started giving us various papers on it. However, we have started deducting this again regularly. This may lead to the rise in rent by the landlords soon.

---

7 OTHER QUESTIONED COSTS

CONDITION

During the course of our audit, we came across certain other costs which were considered "questioned costs". The details of these questioned costs totalling TK 36,983 ($955) are set out in Appendix A.5

CRITERIA

HKI/B should ensure its compliance with USAID guidelines and grant requirements when making claims for reimbursement of costs. The basis of questionability of each item noted is set out in Appendix A.5

CAUSE

HKI/B has overlooked USAID guidelines and grant requirements when making claim for reimbursement of these costs.

EFFECT

HKI/B has claimed costs totalling TK 36,983 ($955) which may be potentially unallowable. Refer Appendix A.5

RECOMMENDATION

It is recommended that HKI/B reviews the list of questioned costs set out in Appendix A.5 with USAID/B with a view to resolving them and if considered appropriate determine which expenditure should be recovered by USAID/B from HKI/B.

MANAGEMENT'S COMMENTS

The electricity bill is already realised and credited to NSP vide Voucher No. CV 305/A dated 31.3.93.

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

SCHEDULE OF QUESTIONED COSTS

Appendix A.1

FINDING	CONDITION	BASIS FOR QUESTIONING	AMOUNT TAKA	EQUIVALENT $
1	International air travel without prior AID approval (Details per Appendix A.2)	Allowability-prior USAID approval not obtained	578,034	14,936
2	Adequate supporting documentation not attached with vouchers (Details per Appendix A.3)	Allowability and reasonableness. No justification for payments made	200,108	5,170
3	Allocation of shared expenses to other projects not made (Details per Appendix A.4)	Allocability-common expenses should be shared with other projects	903,742	23,353
4	Rent paid for a period beyond the currency of the Grant	Allocability - cost should be incurred only during the grant period	93,505	2,916
5	Excess overheads claimed	Allowability - excess amount reimbursed by USAID	1,684,710	43,533
7	Other questioned costs	Refer Appendix A.5	36,983	955
			3,497,082	90,863

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

Appendix A.2

SCHEDULE OF QUESTIONED COSTS

Date	Voucher No.	Performed by	Amount (Tk.)
13/1/91	BV 251	Mr. Menu Mulder	62,395
13/6/91	BV 532	Dr. M. Bloem	93,366
8/9/91	BV 152	Y. Patwary	20,160
12/9/91	BC 153	Dr. M. Bloem	86,112
2/10/91	BV 189	Mrs. S. Ekken & Master Bloem	38,076
2/10/91	BV 190/191	Dr Bloem	191,968
20/10/92	BV 374	- do -	66,662
7/1/92	BV 358	Mr. Mannan	19,295
			578,034

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

Appendix A.3

SCHEDULE OF QUESTIONED COSTS

Date	Voucher No.	Particulars of expenses	Amount (Tk.)
11/4/91	BV 433	Evacuation expenses between 28/1/91 and 14/3/91. Perdiem charged @$75 per day for 46 days irespect of Dr. M. Bloem & family	123,786
14/9/91	BV 155	Perdiem of Mr. M. Mulder	76,322
			200,108

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

Appendix A.4

SCHEDULE OF QUESTIONED COSTS

Expense Type	Amount (Tk.)
Telephone Installation	98,378
Telephone, telex, fax, courier, postage etc.	968,838
Registration fee - SAFA confce, & VHSS	7,000
Audit fees	24,600
Utilities, gas & water (Office & Dr. M. Bloem's residence)	660,556
Repairs - Electricity	156,137
Building	229,684
Cleaning	14,706
Nightguard	620
Supervision charges for 1st floor construction	6,000
Electric meter purchase	450
Servant quarter construction cost	5,578
Curtains	5,040
Intercom	3,000
House Rent	664,000
Office Rent (net of amount questioned at finding 4)	798,219
Newspapers, Magazines etc	1,010
A.C. Rentals	284,340
Photocopier toner, repairing, printing of HKI letterhead etc.	52,706
York type air Cooler	50,000
Split type air Cooler	145,000
Salary of Dr. M. Bloem for the months of January and February 1991	342,846
	4,518,708
Amount question @20% of the total	903,742

HELEN KELLER INTERNATIONAL

SCHEDULE OF FINDINGS OF NON-COMPLIANCE

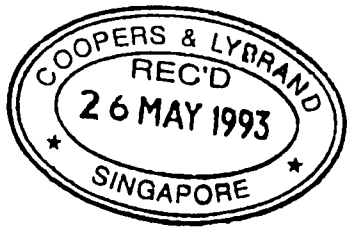
SCHEDULE OF QUESTIONED COSTS

Appendix A.5

FINDING	CONDITION	BASIS FOR QUESTIONING	AMOUNT TAKA	EQUIVALENT $
7	Advertising costs	Allowability - costs disallowed by OMB circular A122		
	BV 464 16/4/92		3,000	
	BV 227 4/11/91		3,000	
	BV 226 4/11/91		4,000	
	BV 341 2/1/92		1,000	
	BV 179 1/10/91		3,000	
			14,000	362
	Printing of visiting cards	Allowability - not allowed except with prior approval of the awarding agency		
	BV 287 2/12/91		4,080	
	BV 93 13/8/91		3,300	
	BV 451 25/3/92		1,200	
	BV 451 6/1/92		1,800	
			10,380	268
	Duplicate payment made on account of electricity bill (voucher #5CVR 778/793, April 1992)	Allocability- payment made twice	3,847	99
	Amount due from Mr Mulder, no longer employed by HKI/B (voucher #BV292, 21/1/91)	Allocability - recovery is doubtful	8,756	226
			36,983	955

Appendix B

HELEN KELLER
INTERNATIONAL



May 24, 1993
ref : 93/478

HKI MANAGEMENT COMMENTS ON FINDINGS

By Qasem & Co/C & L vide their letter dated May 13, 1993

USAID GRANT NO-388-0083-G-SS-9127-00

1. INTERNATIONAL AIR TRAVEL WITHOUT PRIOR AID APPROVAL

USAID has accorded post factor approval on this vide their letter No.0691 dated May 19, 1993(copy enclosed).

2. ADEQUATE SUPPORTING DOCUMENTS NOT ATTACHED WITH VOUCHERS

Adequate supporting documents are attached and showed to M/S Qasem & Co. excepting on evacuation trips, where HKI overseas personnel could spend upto 50% of the USAID allowed perdiem for wherever they stayed without receipts.

On the question of perdiem for Mr Menno Mulder, please note that the amount was given as an advance for his travel. This was never adjusted as he was terminated. His final settlement is yet to be done by him with HKI NY.

3. ALLOCATION OF COMMON EXPENSES TO OTHER PROJECTS NOT MADE

Please note that $20,042 was charged to other projects on similar line items during the period under audit. The recommendation of M/s Sadequr Rahim was followed but not exactly 20% It was difficult for us to go by percentage to percentage. We did this to the best of our judgement. If we recall the fact that at the start, NSP project was much benefited by other projects vehicles/equipment. Moreover donors like NORAD & WHO gave us much smaller grants compared to NSP. That is why we tried to charge other projects by nearly/approximately 20%.

Certain items like the ISD telephone is never used for any purpose cocerning UVAC/NORAD and therefore, we cannot charge that project.

HELEN KELLER
INTERNATIONAL

4. RENT PAID FOR A PERIOD BEYOND CURRENCY OF THE GRANT

We agree with this point and necessary accounting treatment shall be done to reimburse NSP with the cost paid for the period beyond the life time of the project if no further extension is made by USAID.

5. EXCESS OVERHEAD CLAIMED

Overhead is earned by HKI NY and therefore, we shall pass your comments to them for information and necessary action.

6. NON-COMPLIANCE WITH STATUTORY REQUIREMENT

We started deducting this soon after the circular was issued. The landlords started giving us various papers on it. However, we have started deducting this again regulary. This may lead to the rise in rent by the landlords soon.

7. OTHER QUESTIONED COSTS.

The electricity bill is already realised and credited to NSP vide Voucher No. CV 305/A dated 31.3.93(copy enclosed).

Dr Martin W Bloem MD PhD
Country Director

To
Mr Phillip Tan
Coopers & Lybrand
9 Penang road # 12-00
Park Mall, Singapore 0923

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

May 19, 1993

Dr. Martin W. Bloem
Country Director
Helen Keller International
House No. 40A, Road 14A
Dhanmondi R/A, Dhaka

AID Letter No. 0691

Subject: Post-factoral approval on International Travel Grant No.388-0083-G-SS-9127

Ref: a) HKI letter 93/263 to Shiril on April 20, 1993
b) HKI audit exit meeting held on April 18, 1993

Dear Dr. Bloem,

In ref. letter, you have requested for the post-factoral approval for 7 international trips which were not formally approved by USAID Project Officer prior to initiation of travel. We would like to remind you that any international travel under the Grant Agreement needs to follow USAID standard provision. However, we are approving this one-time only the seven international trips on a post-factoral basis.

We have attached an updated version of the "Air Travel and Transportation" Provision dated August 1992. This is a slightly modified version of the provision. In the future, please follow this provision for all international air travel financed under the Grant. The Grant Officer has indicated that this provision will be included in the Grant with the next modification.

Thank you.

Sincerely,

Shiril Sarcar
Program Assistant
Office of Population & Health

CC: Contracting Officer

HKI HELEN KELLER INTERNATIONAL

P. O. BOX-6066, GULSHAN, DHAKA-1212

VOUCHER No. CN 305/A

Date— 31.3.93

	Taka	Paisa
26 m 7 to 02 (2,847.05) Reimbursement Received against Electricity bill for the month of April 92 Meter no 40115677 as noted by M/S Qasem & Co	(2,847	05)
Total Tk Three thousand eight hundred forty seven only	(3,847	05)

Approved by

Received by

Cash Register

-36

APPENDIX C

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